

1. Inventory

The first step is to determine exactly what United Power has and what the Town will require to operate the electric utility in the annexed areas of the Town. Because United Power does not have a current inventory of its assets for us to base the appraisal on. As a result, the electrical distribution infrastructure within the expansion area needs to be identified and counted. Currently, we are working with United Power cooperatively in this inventory with a shared cost because it is critical to make sure that we are comparing apples to apples. This way, both parties understand what sections of the system are to be appraised and acquired.

2. Appraisal

Once we know what we will acquire, the next step is to determine the value of that equipment. Colorado law provides a formula for determining this value, based on replacement cost less depreciation. The appraisal will be conducted by an outside third party electrical utility appraiser. Both United Power and Frederick Power & Light will contract with separate appraisers for this valuation because each party wants to get an independent and fair value for this infrastructure.

3. Assessment

After determining the value for the infrastructure, the Town will develop and complete a pro forma which is a business analysis of the price of the infrastructure and the operations and maintenance in order to give a fair idea of the project's viability. The Town will then communicate to the community the long term outlook for the acquisition in terms of financing and rate structures. After analyzing the pro forma and community input, the Town Board will determine the best option for the community.

4. Negotiation

If the assessment shows that we can provide better service at cheaper rates with more reliable power, negotiations will begin. The negotiation will include both parties bringing their appraised value to the table to see the commonalities and variances between the two valuations in order to work towards a fair and reasonable acquisition price for the infrastructure identified in the inventory. If the parties cannot agree to a price, Colorado law provides that a court may determine the price.

5. Purchase

Once the fair purchase price is agreed upon, the Town would consider issuing a revenue bond to purchase the inventory and then take over operations and maintenance of the electrical distribution system. The bonds would be issued through the Town's electric utility enterprise, and would be payable only through the revenues generated by the electric utility and not by taxes or any other revenue sources.